

Fleet Modernization: Delivery Vehicle Acquisition Status

AUDIT REPORT

Report Number 24-051-R25 | October 3, 2024



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Highlights

Background

A key facet of the U.S. Postal Service's Delivering for America plan centers around a nearly \$10 billion investment – including \$3 billion in federal funds – for modernizing and electrifying parts of its aging delivery vehicle fleet. The Postal Service plans to acquire 106,480 new vehicles between fiscal years (FY) 2023–2028, which includes a mix of purpose-built (such as the Next Generation Delivery Vehicles (NGDV)), commercial-off-the-shelf (COTS), and internal combustion engine (ICE) and battery electric vehicles (BEV). Modernizing the fleet will help reduce costs and enhance safety and service.

What We Did

Our objective was to assess the status of the Postal Service's acquisition of new delivery vehicles. We met with Postal Service Headquarters officials; reviewed related policies, milestones, and other documentation; and observed new vehicle testing.

What We Found

The Postal Service acquired about 22,500 new delivery vehicles, mostly COTS ICE, between March 2023 and June 2024. Timely acquisition of these vehicles was mixed, with some arriving on time, while others experienced months-long delays due to supplier design, production, and supply chain issues, or inadequate Postal Service infrastructure preparedness. For example, the original NGDV plan was to acquire over 3,050 vehicles by June 2024, but the most recent plan included only 28. As delays occurred, the Postal Service negotiated with suppliers, refrained from making vehicle payments until receipt, and adjusted acquisition dates and quantities.

Ongoing vehicle acquisition delays will continue to put the timelines for fleet modernization, cost savings, and sustainability at risk. We estimate BEV and NGDV acquisition delays postpone over \$77 million in expected savings between FYs 2024–2025. While the Postal Service continues to implement a variety of mitigation efforts and contingencies, they did not include data on financial and sustainability impacts associated with the ongoing delays or potential options or strategies going forward. Making enhancements in this area may help ensure the Postal Service meets its remaining acquisition balance of nearly 84,000 more vehicles by FY 2028.

Recommendation and Management's Comments

We recommended the Postal Service include pertinent financial and sustainability impact data in its vehicle acquisition strategy and related contingencies. Management disagreed and we will work with them through the formal audit resolution process. Management's comments and our evaluation are at the end of the finding and [Appendix C](#) has management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 3, 2024

MEMORANDUM FOR: RONNIE J. JARRIEL
CHIEF LOGISTICS AND INFRASTRUCTURE OFFICER AND
EXECUTIVE VICE PRESIDENT

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned below the memorandum header.

FROM: Amanda H. Stafford
Deputy Assistant Inspector General
for Retail, Marketing & Supply Management

SUBJECT: Audit Report – Fleet Modernization: Delivery Vehicle Acquisition Status
(Report Number 24-051-R25)

This report presents the results of our audit of the status of the Postal Service's acquisition of new delivery vehicles.

All recommendations require U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Josh Bartzan, Director, Retail Directorate, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service’s efforts to modernize and electrify its aging delivery vehicle fleet (Project Number 24-051). Our objective was to assess the status of the Postal Service’s acquisition of new delivery vehicles. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service’s fleet of delivery and collection vehicles is an integral part of achieving the agency’s mission to provide the nation with reliable, affordable, and universal mail service. The fleet comprises over 227,000 vehicles of varying makes and models (see Table 1), with the backbone being “purpose-built” Long Life Vehicles (LLV).

Table 1. Postal Service Vehicle Fleet, FY 2023

Vehicle Type	Quantity
LLV	130,113
Flex Fuel Vehicles (FFV)	19,148
ProMaster	27,511
Metris	39,940
1/2 Ton – Other ^a	3,910
1 Ton – Other ^b	26
2 Ton ^b	7,337
Total	227,985

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Postal Service data from Solution for Enterprise Asset Management (SEAM) extracted on January 2, 2024.
^a For example, minivans.
^b For example, step vans or trucks.

The current condition of this fleet, however, is concerning as the majority of LLVs and FFVs are over

their expected service life of 24 years,¹ making them expensive to maintain and operate. The Postal Service spent about \$745 million on related maintenance costs in fiscal year (FY) 2023, with nearly half of the vehicles requiring more than \$4,500 each in repairs or other maintenance. Many of these vehicles lack modern safety and operational features, such as airbags, traction control, collision avoidance systems, and air conditioning. Additionally, the internal combustion engines (ICE) underpinning the existing fleet are more susceptible to fuel price volatility and emit greenhouse gases.

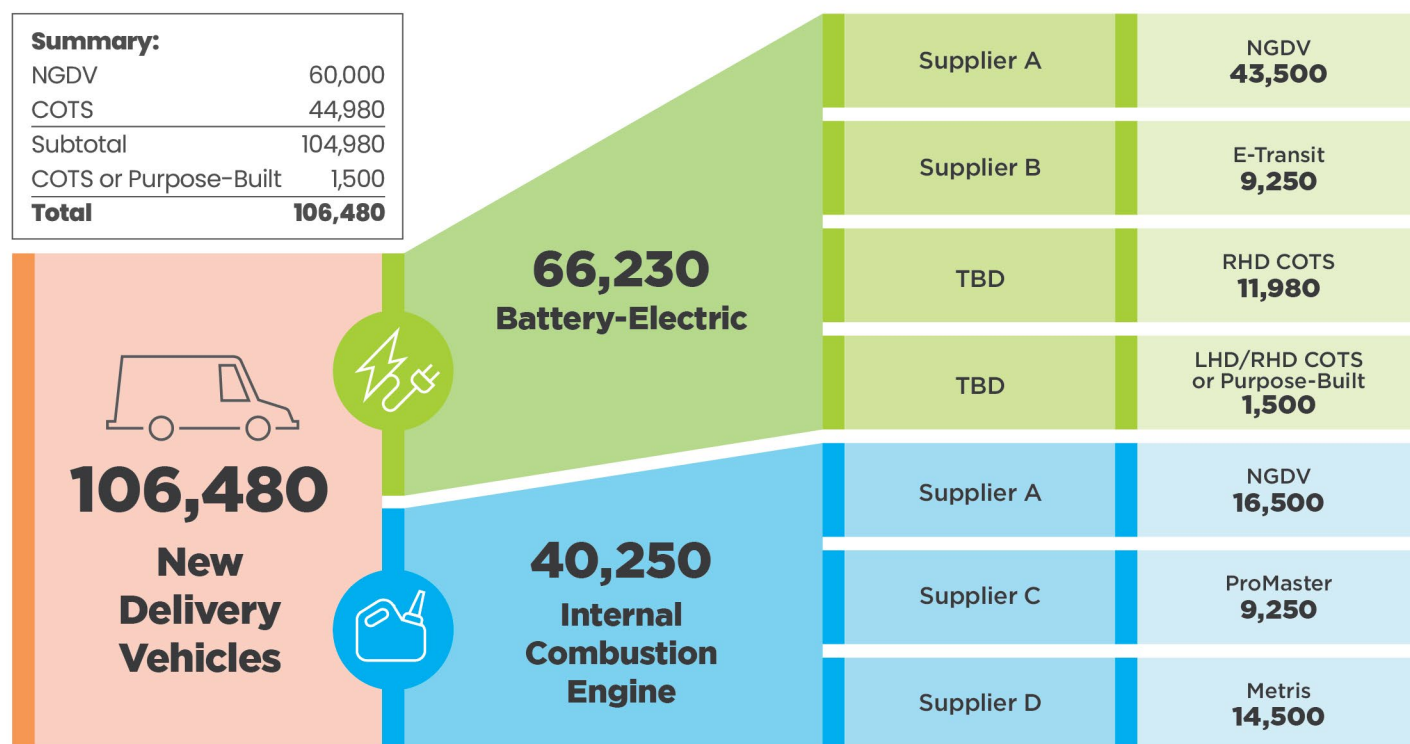
A key facet of the Postal Service’s Delivering for America (DFA) 10-year plan² centered around modernizing and electrifying its delivery fleet of over 227,000 vehicles. The current plan³ is to acquire 106,480 new delivery vehicles between FYs 2023–2028, which includes a mix of different engine types, driver-side configurations,⁴ suppliers, and production methods (see sidebar). [Figure 1](#) shows that, as of June 2024, over half of the vehicles (66,230) will be battery electric vehicles (BEV), and at least 60,000 will be purpose-built Next Generation Delivery Vehicles (NGDV).⁵

Postal Service Vehicles

- **Engine Type:** ICE or battery electric
- **Driver-Side Configuration:** Right- or left-hand drive
- **Supplier:** Four different suppliers
- **Production Method:** Purpose-built or commercial off-the-shelf (COTS)

1 All LLVs have exceeded their expected service life by about six to 13 years, with over 45 percent of the LLVs at 10 or more years past their service life. However, since FFVs were acquired by the Postal Service in 2000 and 2001, only some will exceed their expected 24-year service life beginning this year; other FFVs have one more year to go.
2 U.S. Postal Service, *Delivering for America Strategic Plan: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 2021.
3 We refer to the Postal Service’s overall delivery vehicle acquisition plan as of June 2024 as the “current” plan.
4 According to Postal Service management, left-hand drive (LHD) vehicles are best deployed on carrier routes with certain characteristics – for instance, routes that do not require curbside delivery. Alternatively, right-hand drive (RHD) vehicles can be used on any postal route and are generally superior to LHD vehicles in terms of efficiency, performance, and safety for Postal Service routes.
5 These purpose-built vehicles are being custom designed to the Postal Service’s specifications for mail and package delivery, with a goal of providing an effective minimum service life of 20 years.

Figure 1. Postal Service Delivery Vehicle Acquisition Plan, FYs 2023-2028



Source: OIG analysis of U.S. Postal Service vehicle acquisition data.

Table 2 shows the current planned acquisition schedule between FYs 2023-2028 across the various types of vehicles.⁶

Table 2. Annual Delivery Vehicle Acquisition Schedule (current plan)

Vehicle Type	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
RHD COTS ICE – Metris							14,500
LHD COTS ICE – ProMaster							9,250
LHD COTS BEV – E-Transit							9,250
RHD Purpose-built BEV – NGDV							35,000
RHD Purpose-built ICE – NGDV							15,000
RHD Purpose-built – NGDV							10,000 ^a
LHD/RHD COTS or Purpose-built BEV (TBD)							1,500 ^b
RHD COTS BEV (TBD)							11,980 ^b
Total	1,222	26,403	13,427	25,665	24,788	14,975	106,480

Source: OIG analysis of Postal Service vehicle acquisition data as of June 2024.

^a 10,000 purpose-built NGDVs are included in FYs 2026 [REDACTED] and 2028 [REDACTED]. This is part of the acquisition plan, but no contractual agreement has been made for these vehicles as of June 2024.

^b Suppliers for 1,500 LHD/RHD COTS or Purpose-built BEV and 11,980 RHD COTS BEV vehicles are expected to be selected and contracted by early FY 2025.

⁶ This plan does not include vehicles as part of a prior delivery order for 8,230 Metris RHD COTS ICE vehicles.

As of June 2024, the Postal Service has contractual agreements⁷ with four different vehicle suppliers that account for 93,000 (87 percent) of the expected new vehicles. Suppliers for the remaining 13,480 vehicles planned between FYs 2025–2028 have yet to be determined, with Postal Service officials estimating that the specific suppliers and vehicle types will be selected in early FY 2025.

The total investment in delivery fleet modernization, including vehicles and charging infrastructure, is estimated to be \$9.6 billion, which includes \$3 billion in electric vehicle and infrastructure-related federal funding.⁸ The Postal Service has many groups involved in the delivery vehicle acquisition, including those providing oversight of the related contracting; vehicle acquisition; facility preparedness; and operational testing, deployment, and integration. According to the Postal Service, modernizing the fleet will help capture cost savings, include new safety features, and provide quality service.

⁷ Each supplier contract contains an agreed upon vehicle acquisition schedule and related contract modifications. The Postal Service is not required to comply with all federal contracting requirements and instead uses its own internal policies and procedures, such as the *Supplying Principles & Practices*, which provides guidance on work steps specific to adhering to acquisition timelines and documenting and reporting changes to milestone schedules.

⁸ The Inflation Reduction Act of 2022, Public Law 117-169 (August 16, 2022) earmarked the allocation of \$1.29 billion for the purchase of zero-emission vehicles and \$1.71 billion for the purchase, design, and installation of the requisite infrastructure to support zero-emission delivery vehicles.

Finding: Progress and Challenges with Delivery Vehicle Acquisitions

The Postal Service acquired over 22,500 new delivery vehicles between March 2023 and June 2024 as part of its current acquisition plan. Almost all these vehicles (21,405 or 95 percent) were COTS ICE vehicles (see Table 3).

Table 3. Delivery Vehicle Acquisitions by Type, March 2023-June 2024

Vehicle Type	Quantity Acquired	Percent
LHD COTS ICE – ProMaster	7,403	33%
RHD COTS ICE – Metris	14,002	62%
LHD COTS BEV – E-Transit	1,076	5%
RHD Purpose-built BEV and ICE – NGDV ^a	28	0%
Total	22,509	100%

Source: OIG analysis of Postal Service documentation associated with current acquisition plan.

^a Twelve of these are training vehicles – six BEV and six ICE.

The total quantity of vehicles acquired during the period was 1 percent less than its current plans,⁹ but 23 percent less than the original plans contained within the various vehicle supplier contracts (see Table 4).

Table 4. Delivery Vehicle Acquisitions, March 2023-June 2024

Vehicle Type	Quantity Acquired	Current Plan	Difference (Acquired vs. Current Plan)	Original Plan	Difference (Acquired vs. Original Plan)
LHD COTS ICE – ProMaster	7,403	6,606	797 (▲12%)	6,752	651 (▲10%)
RHD COTS ICE – Metris	14,002	14,500	-498 (▼3%)	14,500	-498 (▼3%)
LHD COTS BEV – E-Transit	1,076	1,701	-625 (▼37%)	4,800	-3,724 (▼78%)
RHD Purpose-built BEV and ICE – NGDV ^a	28	28	0 (0%)	3,051	-3,023 (▼99%)
Total	22,509	22,835	-326 (▼1%)	29,103	-6,594 (▼23%)

Source: OIG analysis of Postal Service documentation associated with current acquisition plan.

^a Twelve of these are training vehicles – six BEV and six ICE.

The overall acquisition of COTS ICE vehicles was better when compared to the COTS BEVs and NGDVs. Vehicle acquisitions were either below current or original plans for three of the four vehicle types – Metris, E-Transit, and NGDVs.

Acquisition delays were relatively unique to each vehicle type, particularly in terms of their timing, duration, and causes.¹⁰ Regarding the timing, acquisition delays occurred at various points along

the respective acquisition schedules. Regarding duration, some delays were relatively brief, while others lasted as long as nine months. Lastly, there were a myriad of causes for delays, split between both the supplier and Postal Service, as follows:

⁹ Current plans are the vehicle acquisition schedules in place as of June 30, 2024, whereas the original plans are the initially agreed upon contractual acquisition schedules.

¹⁰ Additional information on specific vehicle status and performance is provided in [Appendix B](#).

- *Suppliers:* Suppliers reported that vehicle design flaws, supply chain issues, weather damage, or other circumstances negatively impacted production or delivery of vehicles to the Postal Service. For example, preliminary durability tests¹¹ on NGDVs in January 2023 [REDACTED] (see Figure 2).

Figure 2. [REDACTED]

Source: U.S. Postal Service documentation dated February 1, 2023.

In another example, the NGDV supplier reported supply chain issues for parts and equipment needed to automate the production of vehicle bodies. These types of delays appear to be somewhat typical of new-model vehicle launches, particularly for electric vehicles. Research estimated that 34 percent of new automobile launches in the U.S. faced delays in 2023 – up from 5 percent in 2018 – due to hurdles like supply chain issues, trouble meeting quality standards, and a shortage of skilled workers, and concluded that operational and technological hurdles continue to contribute to BEV production delays.

Postal Service officials monitored the various vehicle supplier contracts and performance. They stated that when delays were identified,

they communicated with suppliers within the corresponding contractual frameworks to determine next steps and responsible parties. This included refraining from making vehicle payments until receipt; negotiating design, production, or cost impacts; or adjusting acquisition dates or quantities. Based on these ongoing contractual agreements and negotiations, we are not making recommendations to address these causes of delays.

- *Postal Service:* The Postal Service is responsible for readying its facilities and infrastructure (e.g., charging stations, parking, electrical power supply) to accept new delivery vehicles, particularly BEVs. We recently reported¹² on nationwide charging infrastructure delays

¹¹ The 24,000-mile durability testing simulates the projected service life of the vehicle. The purpose of this test is to determine how the vehicle performs on various road conditions – including highways, roads with potholes, cobblestone, and undulating landscape – and to identify areas for improvement.

¹² U.S. Postal Service OIG, *Fleet Modernization – Charging Station Deployment Timelines*, Report Number 23-170-R24, July 16, 2024. The Postal Service agreed with our Recommendations 2 and 3, which have target implementation dates in July 2025. The Postal Service disagreed with our Recommendation 1 and is undergoing the audit resolution process.

at Postal facilities, including facilities being behind multiple months in their preparedness and schedules. We made three corresponding recommendations, and the Postal Service agreed to corrective actions for two of them, which are both scheduled to be implemented by July 2025. While the anticipated corrective actions would eventually enhance the Postal Service’s facility preparedness, many issues remain and will continue to hinder timely vehicle acquisition. Postal Service officials stated they have delayed the timing of E-Transit acquisitions to better match the completion of this related EV infrastructure.

Throughout these various design, production, transportation, and facility preparedness issues, the Postal Service periodically updated acquisition quantity and delivery schedules. While these periodic updates and ongoing collaboration between the Postal Service and the suppliers help promote more timely and representative projections, acquisition delays continue to put the timelines for vehicle-related financial and operational targets at risk. Delays will hinder the Postal Service’s ability to realize the cost saving targets as outlined in its original plans, particularly for its BEVs and NGDVs as follows:

- *E-Transits*: We estimate these delays would postpone projected cost savings of \$14,144,139 in FY 2024 based on the targets as outlined in the Postal Service’s November 2022 Decision Analysis Report (DAR) request.¹³
- *NGDVs*: We estimate these delays would postpone projected cost savings of \$63,700,515 between FYs 2024–2025 based on the targets as outlined in the Postal Service’s March 2022 NGDV DAR modification request.¹⁴

These delays may also slow Postal Service environmental sustainability efforts to reduce the emission of greenhouse gases by 40 percent in key areas by FY 2030.

Looking Forward

While ongoing vehicle acquisition delays put the timelines for delivery fleet modernization and electrification at risk, the Postal Service initiated a variety of mitigation efforts and contingencies including continuing to:

- oversee electric vehicle infrastructure developments, supplier contracts, and performance.
- meet with potential new suppliers to test and assess potential integration into the Postal Service’s delivery fleet (particularly as some existing suppliers have stopped producing certain vehicles).
- extend the life and use of existing LLVs and identify maintenance part suppliers.

“Throughout these various design, production, transportation, and facility preparedness issues, the Postal Service periodically updated acquisition quantity and delivery schedules.”

The Postal Service’s March 2024 *Vehicle Acquisition Strategy* also listed a 10-year delivery vehicle purchasing plan, acquisition scenarios, and future questions regarding possible new vehicle makes, models, and powertrains (ICE vs. BEVs) and other replacement vehicle options. Regarding NGDVs, Postal Service officials stated they already executed the contingency plan based on design and production issues.

While we recognize the usefulness of these actions, there are opportunities for enhancement as the March 2024 *Vehicle Acquisition Strategy* did not include data on financial and sustainability impacts

¹³ The purpose of the DAR is to recommend an investment for approval for the use of Postal Service funds. In this case, the DAR was prepared to seek capital commitments to replace high maintenance cost LLVs that have well exceeded their useful life.

¹⁴ This DAR was prepared to seek capital commitments to replace the aging postal delivery fleet with new purpose-built vehicles. The original DAR was modified in March 2022 to change certain assumptions, including the purchase quantity, production timeline, and overall costs. The expected number of vehicles referenced is based on the modified DAR estimate, which was prepared after the issuance of the delivery order for the contract.

associated with the ongoing delays or potential options or strategies going forward. For example, there was no data on impacts of maintenance costs for extending the life of aged vehicles due to acquisition delays; cash flows from not having to pay for vehicles not ready; and cost saving and sustainability performance compared to targets. Including pertinent financial and sustainability impact data in its vehicle acquisition strategies would be useful when assessing current performance and evaluating and implementing future mitigation and contingency efforts.

Modernizing and electrifying its delivery vehicle fleet remains a key Postal Service initiative for providing high-quality and reliable service to customers; safer working environments for carriers; and more cost-effective, sustainable operations. Ongoing design, production, testing, and facility preparedness challenges for the Postal Service and its suppliers, however, have caused recent acquisition delays and threaten future timelines. Enhancing its vehicle acquisition strategy by including pertinent impact data would help supplement existing Postal Service management and oversight and protect the sizeable funding investments of the Postal Service and the federal government.

Recommendation

We recommend the **Chief Logistics and Infrastructure Officer and Executive Vice President**, develop an approach for including pertinent financial (i.e., costs and savings) and sustainability impact data in its *Vehicle Acquisition Strategy* and related contingencies.

Postal Service Response

Management disagreed with the finding, recommendation, and other impact. Regarding the finding and other impact, while management acknowledged extended deployment and

utilization timelines of NGDVs and BEVS, they questioned the accuracy of the OIG's calculation of financial impact of these delays. Specifically, they estimated the delayed savings financial impact would be closer to \$2.5 million and not \$77 million as reported by the OIG, and noted the OIG analysis did not take positive impacts into account. Management also stated the report contained erroneous content regarding the technical source of delays in the NGDV program.

Regarding the recommendation, management stated that they already implemented processes to include pertinent financial and sustainability impact data in their *Vehicle Acquisition Strategy* and related contingencies. Management also stated that they provide ongoing financial and sustainability updates regarding the delivery fleet as a matter of ongoing business practices. Management raised concerns about when the recommendation was first presented to them, as well as the audit team's request for information or documentation pertinent to the recommendation.

OIG Evaluation

Regarding the finding and other impact, the OIG maintains that the BEV and NGDV acquisition delays postpone over \$77 million in expected savings between FYs 2024–2025, which is consistent with the (a) savings-related calculations and methodologies used in the Postal Service's investment plans and modifications, and (b) established federal audit community practices. Regarding management's comment concerning erroneous content on the technical source of delays, we continually worked with management to accurately reflect this information and support how it is presented in the report.

Regarding the recommendation, while we acknowledge the Postal Service implemented mitigation efforts and contingencies, we found corresponding documentation did not include data on financial and sustainability impacts associated with the ongoing delays or potential options or strategies going forward. Regarding management's concerns about the timing and communication of the recommendation, we worked closely with management to include and incorporate information and data that was presented to us throughout the final reporting stages. We view the disagreement on the recommendation as unresolved and plan to pursue it through the audit resolution process.

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Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the status of the Postal Service's acquisition of new delivery vehicles. To accomplish our objective, we:

- Reviewed applicable laws, regulations, policies, and procedures related to oversight of contracts and acquisition of NGDV and COTS vehicles.
- Reviewed and analyzed acquisition documentation and data for NGDV and COTS vehicles, such as timelines, plans, supplier discussions, Get-it-Right Initiative #1101 (Replace Existing Delivery Fleet),¹⁵ and associated DARs.
- Reviewed NGDV and COTS vehicle contracts, modifications, and related documentation in Contract Authoring Management System (CAMS)¹⁶ to assess key provisions related to the Postal Service and suppliers' responsibilities for new delivery vehicle acquisition.
- Reviewed SEAM data on the number and types of vehicles in the Postal Service's fleet, and related maintenance costs.
- Observed the First Article Inspection and First Article Test of NGDV BEV and ICE vehicles.
- Interviewed Postal Service Headquarters and other officials, including teams that comprise Infrastructure and Operations Support, to discuss the status of NGDV and COTS vehicle acquisition, including contract oversight, acquisition changes, performance and delays, and related Postal Service actions.
- Reviewed research on contingency plans and discussed major federal acquisition leading practices with U.S. Government Accountability Office staff.

- Reviewed market research and literature on new vehicle production and acquisition, including BEVs.
- Reviewed past OIG audit work.

We conducted this performance audit from January through October 2024 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on September 6, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Postal Service's delivery vehicle acquisition program's internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following five components were significant to our audit objective: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified one internal control deficiency related to Risk Assessment that was significant within the context of our objectives. Our recommendation, if implemented, should correct the weakness we identified.

¹⁵ According to the Postmaster General, "Get-it-Right" reflects a mindset that focuses on preparing for and executing strategies based on today's opportunities and those ahead. Get-it-Right #1101's goal is "to replace vehicles within the delivery fleet that have exceeded their useful life with new, modern, efficient delivery vehicles."

¹⁶ CAMS is a web-based, COTS application used by the Postal Service for documenting contract actions, such as task orders and modifications. CAMS supports contract creation, administration, and reporting through milestones, templates, notifications, and related controls. The U.S. Postal Service's *Supplying Principles & Practices* and other supplemental guidance help instruct staffs' use of CAMS.

We assessed the reliability of SEAM and CAMS data by conducting logical tests on the data and traced to the source documents. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Fleet Modernization – Charging Station Deployment Timelines</i>	Assess charging station infrastructure deployment timelines.	23-170-R24	July 16, 2024	\$0
<i>Fleet Modernization – Electric Vehicle and Charging Infrastructure Incentives</i>	Determine if the Postal Service is participating in incentive programs related to its electric vehicles and requisite charging infrastructure. If not, identify opportunities for participation and associated cost savings.	24-038-R24	June 27, 2024	\$5.48 million
<i>Fleet Modernization – Electric Vehicle Charging Stations Acquisition</i>	Determine whether the Postal Service was effectively testing and monitoring the performance of, providing effective oversight over the contract for, and storage of, charging stations.	23-059-R24	December 29, 2023	\$67,400
<i>Electric Delivery Vehicles and the Postal Service</i>	Identify opportunities and challenges for the Postal Service in moving to an electric vehicle delivery fleet.	RISC-WP-22-003	March 17, 2022	\$0
<i>Delivery Vehicle Acquisition Strategy</i>	Assess the Postal Service's acquisition strategy for delivery and collection vehicles.	19-002-R20	August 12, 2020	\$0

Appendix B: Vehicle Acquisition Schedules and Performance

The Postal Service is acquiring delivery vehicles from four different suppliers, and the following sections outline their respective acquisition schedules and performance.

ProMaster – LHD COTS ICE

The Postal Service began its partnership for the acquisition of ProMaster LHD COTS ICE vehicles in 2015 and acquired the first vehicles under the current contract in September 2023. Table 5 shows the original and current acquisition schedules for the 9,250 vehicles to be acquired by September 2024.

Table 5. ProMaster LHD COTS ICE Vehicle Acquisition Schedule and Performance

Month	Original Plan ^a	Current Plan	Acquired (Actual)	Variance (Actual vs. Original Plan)	Variance (Actual vs. Current Plan)
September 2023	■	■	■	■	■
October 2023	■■■	■■■	■■■	■■■	■
November 2023	■■■	■■■	■■■	■■■	■
December 2023	■■■	■■■	■■■	■	■
January 2024	■■■	■■■	■■■	■■■	■
February 2024	■■■	■■■	■■■	■■■	■■■
March 2024	■■■	■	■■■	■■■	■■■
April 2024	■■■	■	■■■	■■■	■■■
May 2024	■■■	■■■	■■■	■■■	■■■
June 2024	■■■	■■■	■■■	■■■	■■■
July 2024	■■■	■■■	■■■	■■■	■■■
August 2024	■■■	■■■	■■■	■■■	■■■
September 2024	■■■	■■■	■■■	■■■	■■■
Total	9,250	9,250	7,403	651	797

Source: OIG analysis of Postal Service vehicle acquisition data.

Note: "n/a" represents not applicable.

^aSchedule taken from a contract document in the Postal Service's CAMS, dated May 16, 2023.

The schedule shows the number of ProMasters acquired in each of the first five months (September 2023–January 2024) exceeded the original plan. The Postal Service and supplier had worked together to arrange these earlier acquisitions – the Postal Service had been acquiring these types of COTS ICE vehicles for years and the supplier stated that excess vehicles were already in production and available. These earlier acquisitions under the current contract resulted in the Postal Service saving over ■■■ on the purchase price and approximately

■■■ on fuel. Since that time, acquisitions have slowed, but the Postal Service still plans on acquiring the remaining 1,847 ProMasters by September 2024.

Metris – RHD COTS ICE

The Postal Service began its partnership for the acquisition of Metris RHD COTS ICE vehicles in 2018. Under the current contract, acquisition was slated to begin in March 2023. Table 6 shows the original and current acquisition schedules for the 14,500 Metris vehicles currently planned to be acquired by September 2024.¹⁷

¹⁷ The Postal Service modified this contract in early August 2024 to extend final acquisition of Metris vehicles from the end of July 2024 to the end of September 2024.

Table 6. Metris RHD COTS ICE Vehicle Acquisition Schedule and Performance

Month	Original Plan ^a	Current Plan	Acquired (Actual)	Variance (Actual vs. Original Plan)	Variance (Actual vs. Current Plan)
March 2023	■	■	■	■	■
April 2023	■	■	■	■	■
May 2023	■	■	■	■	■
June 2023	■	■	■	■	■
July 2023	■	■	■	■	■
August 2023	■	■	■	■	■
September 2023	■	■	■	■	■
October 2023	■	■	■	■	■
November 2023	■	■	■	■	■
December 2023	■	■	■	■	■
January 2024	■	■	■	■	■
February 2024	■	■	■	■	■
March 2024	■	■	■	■	■
April 2024	■	■	■	■	■
May 2024	■	■	■	■	■
June 2024	■	■	■	■	■
July 2024	■	■	■	■	■
August 2024	■	■	■	■	■
September 2024	■	■	■	■	■
Total	14,500	14,500	14,002	(498)	(498)

Source: OIG analysis of Postal Service vehicle acquisition data.

Note: "n/a" represents not applicable.

^a Schedule taken from a contract document in the Postal Service's CAMS, dated August 3, 2022.

^b Not yet determined by the Postal Service.

The Postal Service acquired 1,220 Metris vehicles through September 2023; 77 percent fewer than expected.¹⁸ The schedule was first adjusted to receive the full quantity by May 2024, then adjusted to July 2024, and was recently readjusted to September 2024. Postal Service management acknowledged that supplier-generated projections were subject to change, and that the supplier noted delays from unanticipated international shipping times and damaged vehicles.¹⁹

Through June 2024, the Postal Service acquired 14,002 Metris vehicles; 493²⁰ vehicles short of its

current and original plans for that time. Postal Service officials stated they plan on acquiring the remaining vehicles by September 2024.

E-Transit – LHD COTS BEV

The Postal Service began its partnership for the acquisition of E-Transit LHD COTS BEVs in 2023 and acquired the first vehicles under the current contract in February 2024. [Table 7](#) shows the original and current acquisition schedules for the 9,250 E-Transits currently planned to be acquired by May 2025.

¹⁸ Postal Service officials stated they received a total of 4,468 Metris vehicles during this same seven-month period but reclassified 3,248 of the vehicles to count towards a prior contract that was not part of this delivery order for 14,500 vehicles or the overall 106,480 acquisition plan.

¹⁹ In April 2024, the supplier informed the Postal Service that five vehicles planned for acquisition were damaged in transit to Postal Service facilities and ultimately deemed to be unsalvageable. The Postal Service did not pay for these lost vehicles, and they were not replaced because the model was discontinued.

²⁰ Considering the five unsalvageable vehicles, the Postal Service plans to acquire the remaining 493 vehicles.

Table 7. E-Transit LHD COTS BEV Acquisition Schedule and Performance

Month	Original Plan ^a	Current Plan ^b	Acquired (Actual)	Variance (Actual vs. Original Plan)	Variance (Actual vs. Current Plan)
December 2023	■	■	■	■	■
January 2024	■	■	■	■	■
February 2024	■	■	■	■	■
March 2024	■	■	■	■	■
April 2024	■	■	■	■	■
May 2024	■	■	■	■	■
June 2024	■	■	■	■	■
July 2024	■	■	■	■	■
August 2024	■	■	■	■	■
September 2024	■	■	■	■	■
October 2024	■	■	■	■	■
November 2024	■	■	■	■	■
December 2024	■	■	■	■	■
January 2025	■	■	■	■	■
February 2025	■	■	■	■	■
March 2025	■	■	■	■	■
April 2025	■	■	■	■	■
May 2025	■	■	■	■	■
Total	9,250	9,250	1,076	(3,724)	(625)

Source: OIG analysis of Postal Service vehicle acquisition data.

Note: "n/a" represents not applicable.

^a Schedule taken from a contract document dated February 28, 2023.

^b The Postal Service is negotiating with the supplier to modify the E-Transit acquisition schedule. The numbers used in this column represent the supplier's projected schedule for delivering all vehicles by May 2025.

The Postal Service acquired 1,076 E-Transits through June 2024; 625 vehicles short of its current plan and 3,724 short of its original plan for that time. These delays occurred primarily due to vehicle testing and infrastructure preparedness issues. Postal Service officials stated they worked with the supplier to determine corrective solutions for the testing issues; are working to improve EV-related infrastructure readiness; and adjusted their E-Transit's acquisition timing and quantities schedules. The infrastructure preparedness shortfalls – which we discussed in our July 2024 report²¹ – resulted in additional Postal Service costs. For example, the Postal Service

committed an additional \$1.1 million in February 2024 to delay and extend the E-Transit production and acquisition schedule because its infrastructure was not ready.

The most recent April 2024 adjustments both (a) decreased the monthly quantities to be acquired – in most cases down from 800 a month to 700, and (b) extended acquisitions out five months, which would now end in May 2025 (instead of December 2024). Postal Service officials stated they plan on acquiring the remaining 8,174 E-Transits by May 2025.

²¹ U.S. Postal Service OIG, *Fleet Modernization – Charging Station Deployment Timelines*, Report Number 23-170-R24, July 16, 2024.

NGDV – RHD Purpose-built BEV and ICE

The Postal Service began its partnership for the acquisition of new, purpose-built RHD BEV and ICE NGDVs in 2021, with original plans for a minimum of 50,000 vehicles (at least 5,000 of which would

be BEVs). The Postal Service, in coordination with the supplier, proceeded to frequently adjust the quantities, vehicle mix (i.e., increasing the share of BEVs), and timelines as shown in Table 8.

Table 8. NGDV Acquisition Plan Changes

Date	Total Minimum	Minimum Mix	
		BEV	ICE
March 2021 ^a	50,000	5,000	45,000
March 2022 ^b	50,000	10,019	39,981
July 2022 ^c	50,000	25,000	25,000
December 2022 ^d	60,000 ^e	45,000	15,000

Source: OIG analysis of public documents and Postal Service reports.
^a The DFA 10-year plan was issued, including an overview of its planned investment in new delivery vehicles.
^b The initial order was placed with the supplier.
^c The scope of the Supplemental Environmental Impact Statement was adjusted, including an anticipated increase with its BEV commitment.
^d The EV acquisition plan was updated, including an anticipated increase with the purpose-built BEV commitment.
^e This includes 10,000 BEVs with no contractual agreement as of June 2024.

The Postal Service eventually acquired the first vehicles under the current contract in April 2024. Table 9 shows the current acquisition schedule for the 60,000 NGDVs currently planned to be acquired by FY 2028.

Table 9. NGDV RHD Purpose-Built BEV and ICE Acquisition Schedule and Performance

Month/Fiscal Year	Original Plan ^a	Current Plan	Acquired (Actual)	Variance (Actual vs. Original Plan)	Variance (Actual vs. Current Plan)
July 2023	■	■	■	■	■
August 2023	■	■	■	■	■
September 2023	■	■	■	■	■
October 2023	■	■	■	■	■
November 2023	■	■	■	■	■
December 2023	■	■	■	■	■
January 2024	■	■	■	■	■
February 2024	■	■	■	■	■
March 2024	■	■	■	■	■
April 2024	■	■	■	■	■
May 2024	■	■	■	■	■
June 2024	■	■	■	■	■
July 2024	■	■	■	■	■
August 2024	■	■	■	■	■
September 2024	■	■	■	■	■
FY 2025	■	■	■	■	■
FY 2026	■	■	■	■	■
FY 2027	■	■	■	■	■
FY 2028	■	■	■	■	■
Total	50,000	60,000	28	(3,023)	0

Source: OIG analysis of Postal Service vehicle acquisition data.
Note: "n/a" represents not applicable.
^a Schedule listed in the NGDV contract dated February 23, 2021.

The Postal Service's acquisition of 28 NGDVs as of June 2024 aligns with its current plan and includes 12 training vehicles (6 BEV and 6 ICE). This performance, however, is 3,023 vehicles short of its original plan, as the Postal Service faced various design, testing, and production challenges associated with these new, unique vehicles.

Postal Service officials acknowledge that NGDVs have been acquired at lower-than-expected rates but stated that these challenges were somewhat

expected due to complexities associated with designing and producing new, purpose-built vehicles. They also noted difficulties associated with completing their facility preparedness, creating new manufacturing processes, and ensuring compliance with applicable regulatory provisions. They also stated they are extending the use of the existing delivery fleet to ensure continuity of operations, and still plan on acquiring the additional 59,972 NGDVs by FY 2028.

Appendix C: Management's Comments



September 25, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Fleet Modernization: Delivery Vehicle
Acquisition Status (24-051)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report titled: *Fleet Modernization: Delivery Vehicle Acquisition Status*.

Finding #1: Progress and Challenges with Delivery Vehicle Acquisitions

Management **disagrees** with Finding #1, specifically with how the final draft audit report expresses the financial impact of extended timelines for the Postal Service's vehicle acquisition program.

In its high-level summary, while the OIG found that there have been some extended timelines for deployments of Next Generation Delivery Vehicles (NGDVs) and Battery Electric Vehicles (BEVs), OIG also acknowledges that delays are typical of new-model vehicle launches, particularly for BEVs. While some USPS delivery vehicles have experienced extended timelines for deployment and utilization, the OIG reports a delay in expected savings of \$77M between FY2024-2025. As presented in the report, however, the implication is that these delayed savings are *lost* savings. During discussions with the OIG, the Postal Service explained that these savings will all be captured upon the fielded deployment of these vehicles, merely on a later timeline than originally projected.

The value of this impact should be calculated as the time value of money for the period over which the savings are delayed – not the total expected savings level as articulated in the audit report – which would be closer to **\$2.5M**, not \$77M. Thus, the final draft audit report and "Other Impact" assessment significantly overstates the true financial impact of this delay by approximately 3000%. The Postal Service's Chief Financial Officer has concurred that, as currently written, the OIG's report represents this impact in a manner that is not accurate. We also note that OIG's analysis did not take into account the additional positive impact of the vehicles received and deployed ahead of

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schedule during this same time frame. We therefore recommend that the OIG's financial impact assessment be corrected to more accurately reflect reality and common financial practice.

Furthermore, the final draft report contains erroneous content regarding the technical source of delays for the NGDV program. The Postal Service provided corrections to this content in the prior draft version, which was not correctly incorporated into the final draft report. We therefore recommend that OIG's final report on this point be corrected.

Following are our comments on the recommendation:

Recommendation 1:

We recommend the **Senior Vice President, Infrastructure and Operations Support**, develop an approach for including pertinent financial (i.e., costs and savings) and sustainability impact data in its *Vehicle Acquisition Strategy* and related contingencies.

Management Response/Action Plan:

Management **disagrees** with this recommendation, as the Postal Service already implemented processes to include pertinent financial and sustainability impact data in its vehicle acquisition strategy and related contingencies in key organizational processes in the fall of 2023.

The final draft report includes a single new recommendation that was not included in prior drafts of the report, and that was only first presented verbally to the Postal Service at the audit exit conference on September 6, 2024. To the best of our knowledge, the audit team did not inquire at any point throughout the audit process about information or documentation pertinent to this recommendation. However, as the Postal Service stated during the exit conference discussion, this recommendation is already actively in progress, both within our ongoing sustainability reporting for our fleet initiatives as part of the Postal Service's Environmental Council since August 2023, as well as through sustainability and financial fleet metrics in ongoing Get-It-Right strategic planning and reporting since the start of FY2024.

Thus, the Postal Service already includes financial and sustainability impacts in its vehicle acquisition strategy and related contingencies, and provides ongoing financial and sustainability updates regarding the delivery fleet as a matter of ongoing business practices. The Postal Service will continue executing these business practices.

Target Implementation Date: N/A, implemented more than a year ago

Responsible Official: N/A

Victoria K Stephen
for _____
Ronnie J Jarriel
Chief Logistics & Infrastructure Officer, and Executive Vice President
cc: Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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